Questions received through 10/29/13

1) Additional information from question responses through 10/22/13:

For more information about Energy STAR v. 3 guidelines, developers are also welcome to explore the Energy Star webpage:

http://www.energystar.gov/index.cfm?c=bldrs lenders raters.nh v3 guidelines

2) The question regarding affordability remains unanswered. "Is a \$220,000 new construction target realistic given the median sale price and AMI in the targeted neighborhoods?"

First, the \$220,000 sales price shown in the slides is intended as an <u>example only</u>. Developers are responsible for researching the market in a given neighborhood and determining the sales price for each address applied for.

Second, if market data shows that a \$220,000 sales price is reasonable, it is likely that the home would still be affordable to a borrower even at the most restrictive AMI level of 80%. From 2012 – 2013 the HRA has sold homes ranging in price from \$100,000 to \$220,000; typically homes are on the market for less than 30 days. For example:

80% AMI for a family of four is \$64,400, or \$5,350/month. It is generally assumed that an affordable house payment is 30% of gross annual income. 30% of \$5,350 is \$1,610/month. Currently the market average for a 30 year fixed rate loan is 4% interest. Assuming the borrower pays a 1% downpayment of \$2,200 and annual property taxes and insurance of \$3,000, the mortgage payment would be \$1,290, or 24% of the household's gross annual income.

In addition, there are existing downpayment assistance programs that can help buyers qualify for homes and reduce mortgage prices.

A list of homebuyer incentive programs is available through this website: http://ownahomemn.org/resources/incentive-programs

Community Neighborhood Housing Services offers a program: http://www.communitynhs.org/lending/down-payment-assistance/

Any home with NSP funding is also eligible for homebuyer assistance of \$2,500 or \$5,000, as defined in the Homebuyer Manual.

3) Is there an application fee?

There is not a fee that is due and payable along with the RFP.

There is an application fee of \$500 that will be due and payable to the HRA from all Developers that are selected for a given address after board action is taken authorizing a sale and development agreement with the Developer. The \$500 fee is <u>not</u> a reimbursable expense with HRA funds (in other words, the developer must either use equity or private financing to pay the \$500 fee).

The fee is waived on projects with NSP funding.

4) How can my business get Section 3 or S/M/WBE Certified?

Contact David Gorski at dave.gorski@ci.stpaul.mn.us for information about getting Section 3 certified. More information is also on the Section 3 website: http://www.stpaul.gov/index.aspx?NID=4003

Contact Tisidra Jones at <u>Tisidra.jones@ci.stpaul.mn.us</u> for information about getting Small, Minority, or Woman Business Enterprise (S/M/WBE) certified. More information is also on the CERT (Vendor Outreach) program website: http://www.stpaul.gov/index.aspx?nid=4758

The points available through the RFP process will go to businesses that have certification through these programs.

5) For the timeline, can you please repeat in writing how PED is defining substantial completion?

The HRA defines substantial completion according to the template substantial completion form, which is posted on the website under "Developer Resources". The most significant expectation is that the building permit for a property is finalized; additional expectations related to energy certification, waste management plan, and a lead clean to clearance report (as applicable) are outlined on the form.

6) Please clarify on where to show specific costs for general contractors on the budget work sheet for homeownership. The program manual says that developers acting as generals may "charge an additional fee in the form of a 6% general contractor fee of net construction costs and 2 % mark up for overhead based on net construction costs". There isn't a specific line for general contractor fee. Should this be included in the Hard Constructions cost line (row 10) or elsewhere. If elsewhere, where? There is a separate line for design and construction management, but those items are distinct from and in addition to general contractor costs and overhead.

It is expected that fees charged by a general contractor will be included in the line item for Hard Construction costs (row 10). When evaluation of the RFP process is completed and developer status is established by the HRA board, it is expected that a sworn construction statement showing bid amounts received and general contractor overhead will be submitted to the HRA by the selected Developer. That is the point when HRA staff will review the general contractor fee charged to ensure it is in compliance with program policy.

7) For calculating the 8% for the General contractor fee when developer is acting as general, what is considered to be included in "net construction costs"? That line isn't specified in the pro forma or the program manual.

Net construction costs are the cost of labor and materials. HRA staff will review the sworn construction statement provided to ensure that the general contractor fee is based on net construction costs.

8) How much do the additional green requirements or design requirements expected by the Inspiring Communities program typically cost?

HRA staff did not believe it is appropriate to give a direct response to this question with a firm dollar amount. In the HRA's experience, typically the insulation requirements required by the Home Performance with Energy STAR and Energy STAR v.3 programs are more extensive than Developers typically practice. Similarly, the requirement to follow abatement procedures for lead, asbestos, and radon typically add cost. Developers are encouraged to carefully review the design guidelines and Enterprise Green Communities requirements, and to engage Neighborhood Energy Connection in conversation about insulation and equipment requirements.

9) Is it possible to apply through the RFP for projects that will have a timeframe of longer than 20 months, or for projects that won't start until 2015?

No. It is the expectation of the RFP that projects will begin immediately after closing.

10) When applying for a property, we know that we may not get it. Is it therefore an acceptable strategy to apply for more properties than we know that we're capable of, and rely on the city to sift those applications, if we are approved?

Yes, that is acceptable as a strategy. Developers should be aware that they will only be awarded as many houses as they can demonstrate capacity and funding sources for.

11) Can PED please provide clarification on what it means by innovative design for the 10 points, and give some examples?

The HRA is intentionally avoiding defining innovation. The hope of our team is that these points will encourage developers to consider creative design. Nevertheless, some broad categories of what the HRA may consider innovative include:

- **Sustainable:** solar panels, geothermal heat, efficient assembly methods, etc.
- **Design:** Cutting edge, artistic, modern, etc.
- 12) In the PDF version of the entire RFP posted on-line, the Part B, Business application includes a stipulation on question 8 that narrative responses should not exceed 4 pages in length.

 However, the word version of the exhibit B posted on-line and to be used for completion and submission does not contain that stipulation.

Which version is correct, and is there in fact a page limit for additional narrative on exhibit B, question 8?

It is expected the narrative responses will be limited to 4 pages.

13) Are the lots that are available through this program available for private homeowners to purchase? If so, where can I get more information about that? We would be building a single family home to Passive House standards to occupy ourselves.

Yes. An income qualified private homeowner could submit through the RFP process if the homeowner meets the minimum developer qualification requirements or by partnering with a developer that meets the minimum requirements. All Inspiring Communities program requirements shall apply, as detailed in the RFP and the program manuals.

14) Are IKEA cabinets considered acceptable?

No, as they do not meet the requirement for dovetail drawer joinery or plywood box construction defined in the HRA design standards.

15) Would a proposal to land bank for site assembly be possible through inspiring communities?

No. Addresses in the RFP are specifically prioritized for housing development within the next 24 months through the Inspiring Communities program.

16) We did a couple houses for the city through their NSP program. For each house we did the project manager provided a specific spec for each house. I'm assuming the city must of provided them with a generic word document that they tailored to each house. Can I get a copy of it?

Yes, although Developers should be aware that the scope is a <u>template only</u>, that may reflect design standards or other specifications that are not current program requirements. Developers are responsible for updating all language and take full responsibility for the content of the scope of work for each project. A word version of the scope of work is posted on the Inspiring Communities website under "Developer Resources".

17) I haven't done any project in the past 5 years, am I qualified to submit for this RFP? All the projects I have done about 8 or 10 years old.

No, you would not be qualified if you submitted a request, because you would not meet the requirement for doing the same amount of projects proposed within a 5 year period. Nevertheless, it could be possible to submit through the RFP in partnership with another qualified developer that meets that minimum criteria.

18) On the disclosure statement it asks a question about owning a property that has multiple housing code violations. Do you want us to answer yes, if we own a vacant property that is in mid-renovation?

Yes, but provide an explanation that clearly indicates whether you acquired the property in that condition or whether you were the responsible party that allowed the property to deteriorate.

19) Is demolition of existing buildings and new construction on the lots an option that can be presented?

No, unless there are structural issues with the properties that would prohibit rehabilitation.

20) Can a long-term history of fundraising be sufficient to demonstrate production capacity, rather than specific sources?

Yes. The history should reflect the sources received that are likely to be used for the specific projects applied for.